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IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FIRST APPELLATE DISTRICT

DIVISION THREE

AT&T CALIFORNIA,

Petitioner,

v.

PUBLIC UTILITIES COMMISSION,

Respondent;

UTILITY CONSUMERS' ACTION NETWORK,

Real Party in Interest.

A124947

(Cal. P.U.C. Decision Nos. D.08-08-017 & D.09-04-036)

Petitioner AT&T California (AT&T) petitioned for review of a decision by the California Public Utilities Commission (Commission). The Commission found that AT&T violated Public Utilities Code section 2883, which requires the provision of "911" emergency service (911-only service, also referred to as warm dial tone) to residential telephone connections for which billed telephone service has not been established or has been voluntarily or involuntarily terminated. Specifically, the Commission ruled that AT&T violated section 2883, subdivision (a) (section 2883(a)) by terminating 911-only service to currently or previously occupied residential units approximately 180 days after the voluntary or involuntary termination of billed service to those residences (the 180-day termination policy), and by failing to provide 911-only service to new residential units. The Commission also ruled that AT&T violated section 2883, subdivision (c) (section 2883(c))

¹ All undesignated statutory references are to the Public Utilities Code.

by failing to provide subscribers with accurate information about the availability of 911-only service. The Commission imposed a penalty and ordered AT&T to modify its policies.

In its petition, AT&T contended the Commission erred by: (1) assigning to AT&T the burden of proof on one issue; (2) admitting certain expert testimony; (3) ruling that AT&T violated section 2883(a) by failing to provide 911-only service to new residences; (4) ruling that AT&T violated section 2883(c) by failing to notify subscribers of the availability of 911-only service; (5) imposing a penalty without adequate notice of the prohibited conduct, in violation of AT&T's due process rights; and (6) declining to apply a statute of limitations from the Code of Civil Procedure to limit the amount of the penalty.

We granted the petition, only as to the following issues:

- 1. Did the Commission err in concluding that AT&T violated section 2883(a) by failing to provide 911-only service to new residential units, given that there is no evidence in the record that an owner or occupant of a new residential unit requested that AT&T provide 911-only service?
- 2. Did the Commission err in concluding that AT&T violated section 2883(c)?² After consideration of the record and the briefs (including supplemental briefs addressing the questions in our grant of review), we hold that the Commission (1) erred in concluding that AT&T violated section 2883(a) by failing to provide 911-only service to new residential units, and (2) erred in concluding that AT&T violated section 2883(c). Accordingly, we will annul the Commission's conclusions on those points, and will otherwise affirm the Commission's decision.

I. "WARM DIAL TONE" AND SECTION 2883

According to testimony submitted by AT&T, warm dial tone, or 911-only service, is "a limited capability telephone service that solely permits outbound calls to 9-1-1 in order to

² Our decision not to issue a writ of review as to the remaining challenges raised by AT&T reflects an implicit determination that they are without merit. (Cf. *In re Gay* (1998) 19 Cal.4th 771, 780, fn. 6.) Accordingly, AT&T's petition is deemed summarily denied as to those issues, as of the date of finality of this opinion. (Cf. *In re Seaton* (2004) 34 Cal.4th 193, 196, fn. 2; *In re Cudjo* (1999) 20 Cal.4th 673, 700.)

reach emergency services. Other than calls to 9-1-1, outgoing calls cannot be placed. Warm dial tone also permits incoming calls so that emergency service organizations can call the caller back when an emergency situation is in progress."

Section 2883(a) provides that local telephone corporations must, "to the extent permitted by existing technology or facilities, provide every existing and newly installed residential telephone connection with access to '911' emergency service regardless of whether an account has been established." (§ 2883(a).) Section 2883, subdivision (e) provides that local telephone corporations need not provide 911-only service "if doing so would preclude providing service to subscribers of residential telephone service." (§ 2883, subd. (e).) As to notice of the availability of 911-only service, section 2883(c) states: "The commission shall require telephone corporations to inform subscribers of the availability of [911-only service] in a manner determined by the commission." (§ 2883(c).)

II. FACTUAL AND PROCEDURAL BACKGROUND

Real party in interest Utility Consumers' Action Network (UCAN) filed a complaint with the Commission, alleging that AT&T had violated section 2883 by (1) terminating 911-only service to currently or previously occupied residential units approximately 180 days after the voluntary or involuntary termination of billed service to those residences (the 180-day termination policy), and (2) failing to provide 911-only service to new residential units where billed telephone service had not yet been ordered.

AT&T did not dispute UCAN's description of its practices. However, AT&T denied that the challenged practices violated section 2883. Specifically, AT&T contended that, because providing 911-only service requires the assignment of telephone numbers and other network resources, AT&T's policies constituted reasonable compliance with section 2883.

After a prehearing conference, the assigned Commissioner and the assigned Administrative Law Judge (ALJ) issued a scoping memorandum that identified the issues to be addressed in the proceeding. The parties stipulated to submit the case on the basis of prepared written testimony and exhibits, to be followed by briefing.

Following the submission of evidence and briefing, the ALJ issued a decision. The ALJ found AT&T in violation of sections 2883(a) and 2883(c), and imposed a penalty.

AT&T appealed the ALJ's decision to the full Commission. The Commission denied AT&T's appeal and adopted a modified version of the ALJ's decision.

AT&T filed an application for rehearing. The Commission denied the application, made further modifications to its decision, and reaffirmed its rulings finding AT&T in violation of the statute and imposing a penalty.

In its final decision, the Commission held that AT&T violated section 2883(a) by (1) implementing the 180-day termination policy, and (2) failing to provide 911-only service to new residences. The Commission ruled that AT&T violated section 2883(c) by failing to provide subscribers with accurate information about the availability of 911-only service. Based on these violations, the Commission imposed a \$1,691,000 penalty. The Commission also ordered AT&T to modify its policies and tariffs to conform to section 2883 and the Commission's decision, and ruled that AT&T was not entitled to the benefit of certain limitation-of-liability provisions in its tariff in cases involving its violation of section 2883.

AT&T filed a petition for review. This court also permitted a group of utilities to file an amicus brief in support of AT&T.³

As noted above, we granted the petition, only as to two issues. We later issued an order permitting the Commission and AT&T to supplement the record with additional documents, and to file supplemental briefs limited to the two issues on which we granted review.

III. DISCUSSION

A. Commission Procedures and Standard of Review

Subject to statutory and due process limitations, the Commission may establish its own procedures. (Cal. Const., art. XII, § 2.) Commission proceedings are governed by provisions of the Public Utilities Code and the Commission's own Rules of Practice and

³ The amici utilities are Cellco Partnership doing business as Verizon Wireless, Cox California Telecom L.L.C., Pacific Gas and Electric Company, San Diego Gas & Electric Company, Small LECs [Small Local Exchange Carriers], Southern California Edison Company, Southern California Gas Company, and Verizon California Inc.

Procedure, rather than by the "technical rules of evidence" applicable in civil court actions. (§ 1701, subd. (a); § 311, subd. (c); accord, Cal. Code Regs., tit. 20, § 13.6.) However, Commission decisions must be based on evidence in the record (§ 1701.2, subd. (a); § 311, subd. (d)), and must include findings of fact and conclusions of law (§ 1705).

Under section 1757, this court reviews Commission decisions to determine whether the Commission has "acted without, or in excess of, its power or jurisdiction," "has not proceeded in the manner required by law," has issued a decision "not supported by the findings," has issued findings "not supported by substantial evidence in light of the whole record," has issued an order or decision that was "procured by fraud or was an abuse of discretion," or has violated "any right of the petitioner" under the United States or California Constitution. (§ 1757, subd. (a).) This court is not authorized "to hold a trial de novo, to take evidence other than as specified by the California Rules of Court, or to exercise its independent judgment on the evidence." (§ 1757, subd. (b).)

This court reviews independently the Commission's interpretation of statutes, giving deference to the agency's determination as appropriate under the circumstances. (Yamaha Corp. of America v. State Bd. of Equalization (1998) 19 Cal.4th 1, 7-8 (Yamaha Corp.); PG&E Corp. v. Public Utilities Com. (2004) 118 Cal. App. 4th 1174, 1194-1195.) "In general, an agency's interpretation of statutes within its administrative jurisdiction is given presumptive value as a consequence of the agency's special familiarity and presumed expertise with satellite legal and regulatory issues. (Yamaha Corp.[, supra, 19 Cal.4th at p. 11].) Ordinarily, therefore, the [Commission's] 'interpretation of the Public Utilities Code should not be disturbed unless it fails to bear a reasonable relation to statutory purposes and language ' (Greyhound Lines, Inc. v. Public Utilities Com. (1968) 68 Cal.2d 406, 410-411....)" (PG&E Corp. v. Public Utilities Com., supra, 118 Cal.App.4th at p. 1194; accord, Pacific Bell Wireless, LLC v. Public Utilities Com. (2006) 140 Cal.App.4th 718, 729.) The weight to be given a particular agency determination "'will depend upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade, if lacking power to control.' " (Yamaha Corp., supra, 19 Cal.4th at pp. 14-15,

quoting *Skidmore v. Swift & Co.* (1944) 323 U.S. 134, 140, italics omitted; accord *PG&E Corp. v. Public Utilities Com.*, *supra*, 118 Cal.App.4th at p. 1195.)

B. AT&T's Alleged Violations of Section 2883

1. 911-Only Service to New Residential Units

a. Background

AT&T argued to the Commission that it was not obligated to provide 911-only service to any new residential unit. Noting that section 2883(a) requires the provision of 911-only service to a residential "telephone connection" (§ 2883(a)), AT&T contended that the elements of a "telephone connection" are not present at a new residential unit until billed telephone service has been established.

The Commission found, based on testimony submitted by the parties, that three groups of elements are "necessary to provide service over a residential phone connection[.]" These include: (1) wiring and other infrastructure at the residential unit, i.e., "Outside plant (OSP) infrastructure, consisting of a Standard Network Interface or Minimum Point of Entry", (2) a "Connected Through (CT) facility (i.e., wiring and related infrastructure)" connecting the residential unit to the line side of the main distribution frame at the telephone carrier's central office; and (3) the performance of certain tasks in the carrier's central office, including "assigning and wiring office equipment, assigning a telephone number, and configuring a switch to limit the telephone line to [warm dial tone]." At new residential units, AT&T often completes the first two elements (the OSP infrastructure at the residence, and the CT facility connecting the residence to AT&T's central office mainframe) before anyone moves into the new residence and orders telephone service. AT&T takes these steps because "'it is significantly easier and cheaper to [complete these tasks] before the streets are paved, the sidewalk is laid, and the residences are fully constructed.'" If AT&T has completed the OSP infrastructure and the CT facility, and if the owner or occupant of the

⁴ In addition, "[i]f the residential unit is part of a multiple dwelling or building complex, the property owner must arrange to have jacks in each residential unit wired to secondary Minimum Points of Entry; these secondary units, in turn, must be wired to the primary Minimum Point of Entry."

residence has completed the necessary interior wiring in the residence, the only remaining element necessary to provide voice service (either warm dial tone or billed service) at the residence is the completion of certain procedures at the carrier's central office.

AT&T argued to the Commission that the statutory term "telephone connection" should be construed to include all of the steps necessary to provide voice service to the residence, including all necessary central office procedures. AT&T contended that, because AT&T does not perform the central office procedures until it receives an order for billed telephone service, no "telephone connection" exists (and no obligation to provide warm dial tone arises) prior to that time.

The Commission rejected AT&T's interpretation of the statute. The Commission construed "telephone connection" to include: (1) all necessary wiring and infrastructure at the residence; and (2) a CT facility from the residence to the central office. The Commission held that, once these elements are in place, the carrier has an obligation (whether or not billed service has been established) to perform the central office switching and other procedures necessary to provide 911-only service, "if requested by the residential owner or occupant."

The Commission specified limits on this obligation. First, because section 2883(a) requires the provision of warm dial tone only if "permitted by existing technology and facilities" (§ 2883(a)), a carrier is not required to "bring a CT facility to new residential structures solely for the purpose of providing 911 access," nor is the carrier required to attempt to provide warm dial tone to residences where the necessary infrastructure has not been completed. Second, the obligation to provide warm dial tone at a new residence arises only "if requested by the residential owner or occupant." (Emphasis added.) The Commission explained that this second limitation was appropriate because "the owner or occupant determines when construction is complete," and "a portion of the required infrastructure is under the control of the owner or occupant"; moreover, "especially in the case of multi-unit developments, the carrier needs some notice that new residential construction has been completed and is ready to obtain emergency access."

The Commission ordered AT&T to comply prospectively with the Commission's interpretation of section 2883(a). In addition, the Commission held that AT&T's past failure to provide 911-only service to new residences violated section 2883(a). The Commission held, however, that UCAN had failed to provide convincing evidence as to the extent of the violation, i.e., the number of new residential units affected. Accordingly, the Commission stated that it did not "consider this violation separate from AT&T's overall violation of § 2883."

For the reasons discussed below, we conclude that, because there is no evidence of a request for 911-only service at a new residence, the Commission erroneously found that AT&T had violated the statute as to new residences.⁵

b. Analysis

As AT&T points out in its petition and as the Commission stated in its order denying rehearing, there is no evidence in the record that an owner or occupant of a new residence has asked AT&T to provide warm dial tone. AT&T argues that therefore it could not have committed a past violation of section 2883(a) as to new residences. The Commission counters that AT&T had an "inflexible" policy of "never providing [warm dial tone] at any new residence — no matter what requests were made[,]" and that this policy violated section 2883(a).

In its supplemental brief, the Commission elaborates on this argument, noting that AT&T interpreted section 2883(a) as not requiring the provision of 911-only service to any

⁵ In its petition for review, AT&T challenged (1) the Commission's interpretation of section 2883(a) (including its construction of the phrase "telephone connection"), and (2) the Commission's conclusion that AT&T violated the statute as to new residences. We issued a writ of review only as to the latter question, i.e., whether the Commission erred in concluding AT&T violated section 2883(a) as to new residential units, "given that there is no evidence in the record that an owner or occupant of a new residential unit requested that AT&T provide 911-only service[.]" Our decision not to issue a writ of review as to AT&T's challenge to the Commission's interpretation of section 2883(a) (and the Commission's accompanying order that AT&T comply prospectively with that interpretation) reflects an implicit determination that the challenge is without merit. (Cf. *In re Gay, supra*, 19 Cal.4th at p. 780, fn. 6.)

new residence because no "telephone connection" exists at a new residence. The Commission notes that the record contains ample evidence establishing that AT&T took this view of its obligations as to new residences. The Commission argues that AT&T, as a result of this interpretation, had a policy or practice of not providing 911-only service to any new residence, and that AT&T was not "willing" to, and "would not," provide such service under any circumstances. Finally, the Commission notes that it found AT&T had based its policy on an "unreasonable" interpretation of the statute, and had not "engage[d] in a good faith attempt to determine the statute's requirements.' "The Commission argues that AT&T's "blanket policy" of not providing 911-only service to new residences, and the "unreasonable" interpretation of the statute that led to that policy, support the Commission's imposition of a penalty in connection with AT&T's conduct as to new residences.

The Commission's arguments are not persuasive. It is true that AT&T's view that it could *never* be obligated to provide 911-only service at any new residence was incorrect. But, under the Commission's construction of the statute, AT&T had no obligation to provide such service at a new residence until it received a request from an owner or occupant; the fact that AT&T may have been prepared to refuse such a request if it received one did not violate the statute. Because there is no evidence (and the Commission made no finding) that AT&T received a request for warm dial tone at a new residence, the Commission's conclusion that AT&T violated section 2883(a) by failing to provide 911-

⁶ The Commission also asserts that its finding that AT&T's interpretation of the statute was unreasonable and not in good faith supports the imposition of a penalty as to new residences. However, the Commission penalized AT&T for allegedly *violating* section 2883, and then considered good faith as one factor in determining the *amount* of the penalty; the Commission did not purport to penalize AT&T solely for holding unreasonable views as to the scope of its statutory obligations.

⁷ The Commission made only a general finding as to AT&T's policy (Finding of Fact No. 8): "However, AT&T does not provide 911 access to new residential units because, in the carrier's view, until the customer places and the company provisions an order for telephone service, there is no 'residential telephone connection' over which to provide 911 access."

only service to new residences (Conclusion of Law No. 5) is not supported by the Commission's factual findings or by the evidence. (See § 1757, subds. (a)(3)-(4).)

In its supplemental brief, the Commission emphasizes that its factual findings, including the inferences it draws from conflicting evidence, are entitled to deference. (See *Toward Utility Rate Normalization v. Public Utilities Com.* (1978) 22 Cal.3d 529, 537-538.) And, as noted above, section 1757 provides that a reviewing court may not "exercise its independent judgment on the evidence." (§ 1757, subd. (b).) However, under section 1757, subdivision (a)(3), this court does review whether the Commission's factual findings support its decision. (§ 1757, subd. (a)(3).) For the reasons discussed above, the Commission's factual findings do not support the Commission's legal conclusion that AT&T "violated [section] 2883(a)" by failing to provide 911-only service to new residences.

2. Section 2883(c): Notice of Warm Dial Tone

a. Background

The Commission ruled (in Conclusion of Law No. 7) that AT&T violated section 2883(c) "by failing to affirmatively provide accurate 911 emergency access information to subscribers whose service has been discontinued, whether voluntarily or involuntarily." Specifically, the Commission found that: (1) AT&T's tariff and the disconnection notices it sent when terminating subscribers' accounts for nonpayment inaccurately described both the statutory requirement of warm dial tone and AT&T's policies; and (2) AT&T sent no information about warm dial tone to subscribers who voluntarily terminate service (or to subscribers who maintain service). The Commission did not impose on AT&T a separate penalty for violating section 2883(c), finding that AT&T's violations of sections 2883(a) and 2883(c) were part of a single course of conduct.

b. Analysis

AT&T argues that it could not have violated section 2883(c), because that provision does not impose any obligations directly on carriers; instead, it provides that *the Commission* shall (1) require carriers to provide notice about 911-only service, and (2) determine the manner in which carriers are to provide such notice. The Commission

disclaims any argument that section 2883(c) is "'self-effectuating,'" and agrees that the statute directs the Commission to take further action to require carriers to provide notice. The Commission also agrees that it "has not previously acted under § 2883(c)," i.e., it has not established a specific requirement under the statute that carriers provide notice about warm dial tone and has not specified the manner in which such notice is to be provided.

However, the Commission held in its decision, and argues in its answer and in its supplemental brief, that it has established a general "minimum disclosure obligation that carriers must meet." The Commission states that the Legislature codified this same general standard in section 2896, subdivision (a) (section 2896(a)), which provides that "[t]he commission shall require telephone corporations to provide" customers with "[s]ufficient information upon which to make informed choices among telecommunications services and providers. This includes, but is not limited to, information regarding the provider's identity, service options, pricing, and terms and conditions of service. . . ." (§ 2896(a).) The Commission argues that this general standard requires carriers to provide information about warm dial tone, because subscribers need such information to make informed choices about whether to maintain residential phone service.

The Commission's argument based on the general customer service standard in section 2896(a) does not provide a persuasive basis for the Commission's conclusion that AT&T violated section 2883(c) by providing inadequate disclosures about warm dial tone. The general disclosure standard set forth in section 2896(a) — whether it was originally articulated by the Commission or the Legislature — does not expressly address the provision of information about warm dial tone or specify the manner in which such information is to be provided. (See § 2896(a).) Accordingly, even if this general standard independently requires carriers to disclose some information about warm dial tone (a question that, as discussed below, we need not decide), the general standard does not

implement section 2883(c)'s requirement that the Commission mandate, and determine the manner of, specific disclosures about warm dial tone.⁸

Because the Commission has not acted under section 2883(c) to require specific disclosures about warm dial tone or to specify the manner of such disclosures, the Commission's conclusion that AT&T violated *section* 2883(c) is not supported by its factual findings that AT&T provided inaccurate and incomplete information about warm dial tone. (See § 1757, subd. (a)(3).)

We need not determine whether AT&T had an obligation to disclose information about warm dial tone under the general disclosure standard in section 2896(a). The parties did not litigate whether AT&T violated section 2896(a) — the Commission's scoping memorandum did not list that question as an issue to be decided in this proceeding, and UCAN did not allege a violation of section 2896(a) in its amended complaint. Moreover, the Commission did not conclude that AT&T violated section 2896(a); ¹⁰ the Commission concluded only that AT&T violated section 2883(c). ¹¹

⁸ In its supplemental brief, the Commission argues that it reasonably interpreted section 2883(c) as requiring only the establishment of a general disclosure standard, and that this interpretation is entitled to deference. However, because section 2883(c) expressly requires the Commission to mandate disclosures about warm dial tone and to specify the manner of such disclosures, we decline to defer to the Commission's interpretation of the statute as requiring only a general disclosure standard that does not expressly address warm dial tone.

⁹ UCAN's original complaint did include a reference to the Telecommunications Customer Service Act of 1993 (sections 2895-2897), which includes section 2896(a). After AT&T filed a motion to dismiss, the ALJ ruled that UCAN had failed to allege facts sufficient to state a cause of action under those sections. UCAN did not reassert this claim in its amended complaint.

¹⁰ Because the Commission did not conclude that AT&T violated section 2896(a), we need not address AT&T's argument that such a ruling would violate due process.

¹¹ In its supplemental brief, the Commission suggests it had authority to order AT&T to modify its notice policies and its tariffs pursuant to section 761, which authorizes the Commission to require a utility to modify practices that are "unjust, unreasonable, unsafe, improper, inadequate, or insufficient[.]" (§ 761.) We need not address this point. In its decision, the Commission found only that AT&T violated section 2883(c); the Commission did not state that it was ordering relief pursuant to section 761. In addition, our grant of

C. The Relief Awarded by the Commission

In their supplemental briefs, AT&T and the Commission present arguments as to whether the errors discussed in this opinion invalidate other aspects of the Commission's decision, such as the relief awarded. AT&T contends briefly that the errors require this court to annul the Commission's entire decision. For its part, the Commission discusses several elements of the relief awarded, including the penalty, and argues that they remain valid.

As to the penalty, the Commission treated AT&T's three alleged violations of section 2883 as a single, continuing offense, and imposed a daily penalty of \$500 (the minimum amount under the penalty statutes relied on by the Commission, sections 2107 and 2108). The Commission imposed this penalty for the period from May 13, 1997 (when AT&T management received an audit report recommending the 180-day termination policy) until August 15, 2006 (when the evidentiary record closed on substantive issues), for a total of 3,382 days, and a total penalty of \$1,691,000. Because the Commission's conclusion as to one of the three alleged violations (the 180-day policy) is valid, imposition of the minimum daily penalty for the duration of that violation (the period during which the 180-day policy was in effect) was permissible under sections 2107 and 2108. The Commission's errors as to the other two alleged violations do not require an annulment or reduction of the penalty. 13

review encompassed only the question of whether the Commission erred in concluding AT&T violated section 2883(c); we did not grant review as to whether the Commission had authority to require AT&T to modify its notice policies pursuant to other statutes.

In addition, to the extent the parties raise other arguments in their supplemental briefs, including arguments about the prospective relief granted by the Commission, we note that our grant of review encompassed only the question whether two of the Commission's conclusions about AT&T's alleged past violations of section 2883 were erroneous, and we authorized supplemental briefing only as to those two issues. Accordingly, we will not

¹² AT&T raised no argument in its petition as to the applicability of sections 2107 and 2108, so we will assume those statutes govern the amount of the penalty.

¹³ As noted above, we did not grant review of, and we do not address, the penalty-related arguments AT&T raised in its petition, including the argument that the penalty violated AT&T's due process rights, and the argument that the penalty should have been limited by application of a statute of limitations from the Code of Civil Procedure.

IV. DISPOSITION

California Public Utilities Commission Decision No. 08-08-017, as modified by Decision No. 09-04-036, is annulled only as to Conclusion of Law No. 5 (which concludes AT&T violated section 2883(a) by failing to provide 911-only service to new residences), and Conclusion of Law No. 7 (which concludes AT&T violated section 2883(c)), and is otherwise affirmed. AT&T's petition for review is deemed summarily denied as to all other issues raised in that petition, as of the date of finality of this opinion.

The parties shall bear their own costs.

	Jenkins, J.	
We concur:		
Pollak, Acting P. J.		
Siggins, J.		

address the parties' arguments relating to the propriety of the prospective relief ordered by the Commission.